

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

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FOR ASSISTANT SECRETARY ENDERS

FOLLOWING REPEAT ABU DHABI 0805 SENT SECSTATE KUWAIT INFO
DOHA JIDDA TEHRAN DATED APRIL 14.

QUOTE

LIMITED OFFICIAL USE ABU DHABI 0805

KUWAIT FOR PARSKY

DEPT PASS TREASURY FOR PARSKY

E.O. 11652: N/A

TAGS: OVIP, ENRG, EINV, TC, US

SUBJ: VISIT BY TREASURY ASSISTANT SECRETARY PARSKY TO ABU DHABI

REF: STATE 72739

SUMMARY: TREASURY ASSISTANT SECRETARY PARSKY CONCLUDED HIGHLY
SUCCESSFUL TWENTY-FOUR HOUR VISIT TO ABU DHABI APRIL 11. PARSKY SAW
KEY PEOPLE IN FINANCIAL AND PETROLEUM FIELDS. UAEG FULLY RECEPTIVE
TO HIS APPROACH RE CONSULTATION ON MAJOR INVESTMENT IN U.S.
DISCUSSION OF PARIS PREPCON AND FUTURE CONSUMER/PRODUCER DIALOGUE
COVERED SEPTEL. EMBASSY BELIEVES VISIT MOST USEFUL. PARSKY
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PRESENTED HIS POINTS EFFECTIVELY AND SHOWED OBVIOUS WILLINGNESS
CONSIDER UAEG POINTS IN RETURN -- AND TO SEEK COMMON GROUND.
UAEG FOR ITS PART CLEARLY FLATTERED BY HIS PRESENCE AND BY FURTHER
OPPORTUNITY PROVIDED THEREBY TO HAVE DIALOGUE WITH USG. THIS

IS EXACTLY TYPE OF VISIT WE HAVE BEEN URGING, AND EMBASSY TRUSTS THAT FURTHER HIGH-LEVEL VISITS FOLLOW. END SUMMARY.

1. TREASURY ASSISTANT SECRETARY PARSKY AND HIS SPECIAL ASSISTANT ROBIN CLEARY HAD WHAT WE BELIEVE TO HAVE BEEN EXTREMELY SUCCESSFUL STAY IN ABU DHABI APRIL 11-12. UAEG ROLLED OUT WELCOME MAT INCLUDING APPROPRIATE GREETING AT AIRPORT ON A FRIDAY EVENING, PROVISION OF CAR, SCHEDULING OF ALL APPOINTMENTS REQUESTED AND FINALLY LUCHEON HOSTED BY MIN FINANCE SHAIKH HAMDAN BIN RASHID. PARSKY PAID HOUR LONG CALLS APRIL 12 ON MIN STATE FOR FOREIGN AFFAIRS SAIF GHOBASH (ACTING FOR MIN WITH SUWAIDI IN LONDON), ON SHAIKH HAMDAN AND MIN STATE FOR FINANCE MUHAMMAD HABROUSH TOGETHER, AND ON MIN PET MANA AL-OTAIBA. IN ALL CASES DISCUSSIONS WERE ANIMATED, WITH SUBSTANTIAL EXCHANGE OF VIEWS. SUBSTANCE OF TALKS DEVOTED ALMOST EXCLUSIVELY TO TWO ISSUES: (A) U.S. POLICY TOWARD ARAB INVESTMENT IN U.S. (REFTEL) AND (B) PARIS PREPCON AND FUTURE OF CONSUMER/PRODUCER DIALOGUE. SUMMARY OF POINTS MADE RE FIRST OF THESE ISSUES FOLLOWS, WHILE SECOND IS SUBJECT OF SEPTEL.

2. PARSKY OPENED ALL THREE CALLS WITH EXPLANATION OF U.S. POLICY RE ARAB INVESTMENT AND INITIATIVE WE PROPOSING. PARSKY IN HIS PRESENTATION NOTED THAT USG HAS CONSISTENTLY FOLLOWED POLICY OF FAVORING FREE MOVEMENT OF CAPITAL, OF ALLOWING MARKET PLACE TO ACT AS ALLOCATOR. HE NOTED U.S. NEED NOW AND IN FUTURE FOR CAPITAL. BUT WITH SOME, PARTICULARLY IN IZLXYDS, EXPRESSING DOUBTS RE THIS POLICY IN VIEW OF SHARP SHIFTS OF FINANCIAL RESOURCES TO OIL PRODUCERS, ADMINISTRATION HAD UNDERTAKEN REVIEW TO DETERMINE IF POLICY STILL VALID. RESULT HAD BEEN STRONG REAFFIRMATION OF FREEDOM OF MOVEMENT OF CAPITAL. BUT ADMINISTRATION NEVERTHELESS BELIEVED THAT SOME ACTION NEEDED TO REASSURE THOSE EXPRESSING CONCERN THAT FOREIGN INVESTMENT MIGHT BE "MISUSED" OR RESULT IN "DISTORTION" OF U.S. ECONOMY. DECISION THEREFORE TAKEN (A) TO ESTABLISH INTERAGENCY COMMITTEE HEADED BY PARSKY TO MAINTAIN ON-GOING REVIEW OF FOREIGN INVESTMENT POLICY AND LIMITED OFFICIAL USE
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(B) TO SEEK TO ESTABLISH A GOVERNMENT-TO-GOVERNMENT CONSULTATIVE APPROACH RE POSSIBLE MAJOR INVESTMENTS IN U.S. LATTER POINT WAS MAIN PURPOSE OF PRESENT VISIT, PARSKY SAID.

3. PARSKY DESCRIBED WHAT WAS ENVISAGED (WITH MOST OF DETAIL APPEARING DURING HAMDAN/HABROUSH SESSION) AS INFORMAL CONSULTATIONS WHEN "SIGNIFICANT" INVESTMENTS CONTEMPLATED IN "SENSITIVE" AREAS. PARSKY STRESSED THAT WE NOT SEEKING IMPOSE BARRIERS TO SUCH INVESTMENT, RATHER WE HOPED TO PREVENT THEM. MOREOVER WE DID NOT SEEK ROLE AS FINANCIAL ADVISOR TO UAEG OR ANY OTHER GOVERNMENT. BUT WE DID BELIEVE IT IS IN POTENTIAL INVESTOR'S INTEREST TO GET FEEL IN

ADVANCE FOR WHAT REACTION -- BOTH THAT OF USG AND OF U.S. PUBLIC -- MIGHT BE TO SPECIFIC INVESTMENT PROPOSAL. AS FAR AS WHAT WOULD CONSTITUTE SIGNIFICANT OR SENSITIVE INVESTMENT, PARSKY SAID WE HOPED AVOID PRECISE GUIDELINES AS DEFEATING PURPOSE ENVISAGED. THERE ARE EXISTING LAWS WHICH RESTRICT OR CONTROL INVESTMENT IN CERTAIN AREAS (E.G. SOME DEFENSE INDUSTRIES), BUT WE DID NOT SEEK TO RULE OUT ANYTHING IN ADVANCE. IN LARGE MEASURE WE WOULD LEAVE DECISION ON WHEN TO CONSULT TO THE INVESTOR -- WHEN UAEG THOUGHT PROBLEM CONCEIVABLY MIGHT ARISE IT WOULD INITIATE PROCESS.

4. RE SPECIFICS OF MECHANISM, PARSKY SAID INTENTION WOULD BE TO UTILIZE EASIEST MEANS OF COMMUNICATIONS BETWEEN MIN FINANCE IN UAEG AND TREASURY DEPT IN USG. WE FELT THIS WOULD INVOLVE HAMDAN/HABROUSH APPROACHING OUR AMBASSADOR IN ABU DHABI (AMBASSADOR AND PARSKY AGREED THAT THIS WAS BEST CHANNEL AND THAT IT DESIRABLE BE AS PRECISE AS POSSIBLE IN DESCRIBING WHAT WE HAD IN MIND TO UAEG). AMBASSADOR WOULD THEN COMMUNICATE INVESTMENT PROPOSAL TO PARSKY WHO WOULD CONSULT HIS INTERAGENCY COMMITTEE. IF NO PROBLEM SEEN BY COMMITTEE, THAT RESPONSE WOULD COME BACK. IF SOME QUESTION DID EXIST, THEN CONSULTATIONS WOULD BE PROPOSED WITH UAEG OFFICIAL PROBABLY COMING TO WASHINGTON TO REVIEW MATTER. KEY WOULD BE DETERMINING WHAT UAEG ACTUALLY HAD IN MIND -- E.G. WAS CONTROLLING INTEREST SOUGHT OR WOULD NON-VOTING OWNERSHIP BE ACCEPTABLE OR EVEN DESIRABLE? THESE CONSULTATIONS WOULD DETERMINE WHETHER POTENTIAL PROBLEM ACTUALLY EXISTED. HABROUSH LIMITED OFFICIAL USE
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EXPRESSED SOME CONCERN RE BOTH DURATION OF THIS PROCESS AND POSSIBLE LEAKS, EITHER ONE OF WHICH COULD AFFECT INVESTMENT ITSELF. RE TIME FACTOR, AMBASSADOR NOTED WE EXPECTED MECHANISM TO BE WELL OILED ONE AND PARSKY POINTED OUT THAT ACQUIRING SUBSTANTIAL INTERESTS LIKELY BE SOMEWHAT PROTRACTED PROCESS IN ANY CASE. AS FOR LEAKS, PARSKY AGREED THIS WAS GOOD POINT AND IT WOULD BE INCUMBENT ON USG TO PROTECT UAEG CONFIDENCES. IN THIS CONNECTION, HE NOTED WE WOULD ONLY ISSUE PUBLIC STATEMENT RE USG NON-OBJECTION TO PARTICULAR INVESTMENT IN CONSULTATION AND AGREEMENT WITH INVESTOR -- E.G. UAEG.

5. AS FINAL POINT, PARSKY NOTED THAT HE HOPED THIS CONSULTATIVE MECHANISM MIGHT OVER TIME BE FRUITFUL IN FACILITATING FURTHER COOPERATION SUCH AS SECURING TECHNICAL ASSISTANCE WHICH MIGHT BE DESIRED BY UAEG. GIVEN REGULAR MEETINGS OTHER THINGS COULD DEVELOP. FOCUS WOULD IN FIRST INSTANCE BE ON POSSIBLE INVESTMENTS, HOWEVER-- AND AMBASSADOR NOTED IMPORTANCE IN CASE OF BOTH RPT BOTH OUR GOVERNMENTS TO KEEP FOCUS OF ATTENTION ON ISSUES INVOLVED.

6. UAEG REACTION TO THIS APPROACH WAS VERY FAVORABLE. AS HABROUSH SAID QUOTE IT SHOULD BE HELPFUL TO BOTH COUNTRIES. WE WELCOME IT UNQUOTE. RESPONSE CENTERED ON THREE POINTS. (A) UAEG FUNDS AVAILABLE FOR INVESTMENT IN U.S. ARE LIMITED. AMOUNTS ARE INSIGNIFICANT IN 1975. THEY WILL INCREASE IN THE PERIOD 1976-80 BUT CAPACITY FOR ABSORPTION FOR INTERNAL DEVELOPMENT SHOULD NOT BE UNDERESTIMATED AND AID OUTLAYS WOULD REMAIN LARGE. BOTH GHOBASH AND HABROUSH NOTED THERE HAD TO BE BETTER ORDERING OF UAEG PRIORITIES AND THIS WOULD RESULT IN INCREASED FUNDS BEING AVAILABLE, SPECIFICALLY FOR INVESTMENT IN U.S., BUT THEY MADE POINT THIS NOT ON SCALE OF SAUDI ARABIA OR KUWAIT. PARSKY RESPONDED THAT THIS MOST USEFUL POINT -- THAT THERE WAS SUBSTANTIAL MISUNDERSTANDING -- EXAGGERATION -- IN U.S. RE DIMENSION OF PROBLEM ITSELF. (B) HABROUSH STATED SPECIFICALLY THAT IT WAS DEFINITIVE UAE POLICY NOT TO SEEK CONTROLLING INTERESTS IN FIRMS AT THIS TIME. SOME WERE PUSHING FOR SUCH ACTION, BUT GOVERNMENT HAD TAKEN DECISION THEY WERE NOT READY FOR THIS, THAT IT BEYOND THEIR CAPACITY AT THIS TIME. HABROUSH SAID PRESENT POLICY WAS LIMITED OFFICIAL USE
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TO PUT 15-20 PERCENT OF INVESTMENT FUNDS INTO REAL ESTATE (IN RESPONSE TO QUERY, PARSKY OPINED REAL ESTATE SHOULD NOT FALL INTO "SENSITIVE" CATEGORY); 5-10 PERCENT IN GOLD SHARES; AND REMAINDER IN SECURITIES PORTFOLIO. (C) SHOULD THERE BE CHANGE IN THIS POLICY -- I.E. IF SIGNIFICANT OR SENSITIVE INVESTMENT IN U.S. FIRMS CONTEMPLATED -- UAEG WOULD WELCOME CONSULTATIONS, WITH MECHANISM PROPOSED BY PARSKY BEING FULLY ACCEPTABLE. GHOBASH NOTED THAT UAEG ALREADY HAD REGULAR CONSULTATIONS WITH FRANCE, INCLUDING AMONG OTHER THINGS INVESTMENT ISSUES. BOTH HE AND OTAIBA NOTED THAT TALKS COULD BE TWO-WAY PROCESS, INCLUDING POSSIBLE PROBLEMS OF U.S. FIRMS OPERATING IN UAE.

7. COMMENT: IN OUR VIEW ASSISTANT SECRETARY PARSKY'S VISIT WAS EMINENTLY SUCCESSFUL. AS PARSKY TOLD HAMDAN/HABROUSH, THE THREE-POINT UAEG RESPONSE (PARA 6) GAVE HIM (PARSKY) BEST POSSIBLE AMMUNITION TO RESPOND TO THOSE EXPRESSING CONCERNS RE ARAB INVESTMENTS IN U.S. AS WE HAVE DISCUSSED WITH PARSKY, WE BELIEVE IT ADVISABLE TO SEEK CONFIRM THIS UNDERSTANDING IN WRITING (PRESUMABLY BY EXCHANGE OF LETTERS), BUT WE HAVE NO REASON TO ANTICIPATE PROBLEMS. ON PRODUCER/CONSUMER DIALOGUE THERE WAS PREDICTABLY SOME DEGREE OF DIFFERENCE (SEE REFTEL), BUT EVEN HERE EXCHANGE OF VIEWS -- GETTING CONSUMER VIEWS HOT OFF PLATTER (IN FACT PARSKY HAD HAD TO LEAVE PARIS BEFORE PRECON COMPLETED) -- WAS MOST USEFUL. AND OVERALL, HAVING SOMEONE OF PARSKY'S STATURE TAKING THE TROUBLE TO MAKE VISIT TO ABU DHABI TO CONSULT WITH THEM ON MUTUAL PROBLEM WAS BOTH FLATTERING TO UAEG

AND GAVE SUBSTANCE TO OUR OFT-REPEATED ASSURANCE
OF THE HIGH VALUE WE PLACE ON OUR RELATIONS HERE. WE URGE
THAT THIS VISIT BE FOLLOWED BY OTHER -- HOPEFULLY A BIG LONGER,
AS PARSKY WAS FIRST TO AGREE - BY OTHER HIGH-RANKING
ADMINISTRATION - AND FOR THAT MATTER APPROPRIATE CONGRESSIONAL--
FIGURES.
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